

April 2004



North Dakota

REV-E-NEWS

From Pam Sharp, Director Office of Management and Budget 600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400

Fourth quarter 2003 taxable sales and purchases grew by 7.7 percent over the same quarter one year ago. In addition, fourth quarter taxable sales and purchases topped \$2 billion for the first time during a calendar quarter. Calendar year 2003 taxable sales and purchases grew by 4.2 percent over the previous year, another indicator of the strengthening North Dakota economy.

General fund revenues are also reflective of the state's strong economic performance. For the second month in a row, general fund revenue collections exceeded projections by nearly 10 percent. March revenues exceeded projections by 9.6 percent, following February collections that exceeded the monthly forecast by 10.1 percent. Biennium to date revenues exceed projections by over \$18 million, or 3.2 percent, excluding the impact of the federal fiscal relief payments received by the state.

Federal fiscal relief payments deposited in the general fund now include two components – the \$50 million for unrestricted uses received by the state in July and October 2003 and approximately \$6.5 million deposited in the general fund in March 2004. The recently received \$6.5 million relates to an increase in the federal medical assis-

tance percentage (FMAP) during the 2001-03 biennium. Both amounts have been deposited in the general fund for appropriation by the 2005 Legislative Assembly.

At the national level, the economic recovery continues to gain momentum. *Economy.com* reported in April that the "economy's near-term prospects have brightened with definitive evidence that the job market has turned the corner. Businesses have fi-

Calendar year 2003 taxable sales and purchases grew by 4.2% from the previous year, another indicator of the strengthening North Dakota economy.

nally responded to the strong growth in demand and production, adding a half million jobs during the first quarter." Rising energy prices and the likelihood of rising interest rates were noted by *Economy.com* as potential impediments to the economic recovery. However, their outlook is that the current economic expansion is "self-sustaining."

Economy.com also predicts that national employment growth will accelerate during the course of this year and employment "will return to its pre-recession peak by the second quarter of 2005."

Oil Activity

February oil production of 79,437 barrels per day was up slightly from January's production of 79,203 barrels per day.

After several months of climbing prices, oil prices have leveled off somewhat. Average prices increased from approximately \$27 in December to \$28

in January and \$29 in February. March and April prices have climbed to around \$32 per barrel.

The rig count has declined from last month, to 15 rigs. There were 16 rigs operating one year ago. Drilling permits have decreased from 14 in January to 8 in February.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
March 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Forecast	Actual	Variance	Percent	March 2003 Forecast	Actual	Variance	Percent
Sales Tax	21,257,000	25,674,337	4,417,337	20.8%	244,337,000	256,869,166	12,532,166	5.1%
Motor Vehicle Excise Tax	5,558,000	5,446,180	(111,820)	-2.0%	47,017,000	46,821,986	(195,015)	-0.4%
Individual Income Tax	4,258,000	3,387,303	(870,697)	-20.4%	135,232,000	134,743,801	(488,199)	-0.4%
Corporate Income Tax	6,849,000	8,943,535	2,094,535	30.6%	21,965,000	23,196,050	1,231,050	5.6%
Insurance Premium Tax	9,200,000	6,977,029	(2,222,971)	-24.2%	21,012,000	21,689,212	677,212	3.2%
Financial Insitutions Tax	62,000	650,381	588,381	949.0%	223,000	502,067	279,067	125.1%
Oil & Gas Production Tax	1,681,000	3,358,519	1,677,519	99.8%	16,809,000	19,064,626	2,255,626	13.4%
Gaming Tax	200,000	108,522	(91,478)	-45.7%	9,000,000	8,456,422	(543,578)	-6.0%
Interest Income	371,000	74,230	(296,770)	-80.0%	3,189,000	656,039	(2,532,961)	-79.4%
Oil Extraction Tax	1,139,000	1,810,079	671,079	58.9%	11,394,000	10,932,778	(461,222)	-4.0%
Cigarette & Tobacco Tax	1,361,000	1,470,735	109,735	8.1%	14,105,000	15,200,170	1,095,170	7.8%
Departmental Collections	2,681,898	2,557,442	(124,456)	-4.6%	24,076,648	27,222,580	3,145,932	13.1%
Wholesale Liquor Tax	414,000	388,072	(25,928)	-6.3%	4,293,000	4,386,749	93,749	2.2%
Coal Conversion Tax	1,958,000	2,031,753	73,753	3.8%	17,509,000	18,243,115	734,115	4.2%
Mineral Leasing Fees	(70,000)	(567,477)	(497,477)	710.7%	1,890,000	2,435,476	545,476	28.9%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					523,575	523,575	-	0.0%
Other Transfers		77,139	77,139	100.0%	13,410,000	13,510,885	100,885	0.8%
Total	56,919,898	62,387,780	5,467,882	9.6%	585,985,223	604,454,696	18,469,473	3.2%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP		6,456,581	6,456,581	100.0%		6,456,581	6,456,581	100.0%
Total Revenues and Transfers	56,919,898	68,844,361	11,924,463	20.9%	585,985,223	660,911,277	74,926,054	12.8%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
March 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2002	March 2004	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	17,615,892	25,674,337	8,058,445	45.7%	233,328,866	256,869,166	23,540,300	10.1%
Motor Vehicle Excise Tax	4,609,816	5,446,180	836,364	18.1%	45,806,941	46,821,986	1,015,045	2.2%
Individual Income Tax	3,946,524	3,387,303	(559,221)	-14.2%	130,782,598	134,743,801	3,961,203	3.0%
Corporate Income Tax	5,406,168	8,943,535	3,537,367	65.4%	21,109,698	23,196,050	2,086,352	9.9%
Insurance Premium Tax	8,400,440	6,977,029	(1,423,411)	-16.9%	17,875,962	21,689,212	3,813,250	21.3%
Financial Institutions Tax	761,954	650,381	(111,573)	-14.6%	1,245,388	502,067	(743,321)	-59.7%
Oil & Gas Production Tax	1,760,561	3,358,519	1,597,959	90.8%	14,068,053	19,064,626	4,996,573	35.5%
Gaming Tax	240,295	108,522	(131,773)	-54.8%	9,608,485	8,456,422	(1,152,063)	-12.0%
Interest Income	166,870	74,230	(92,640)	-55.5%	2,928,834	656,039	(2,272,795)	-77.6%
Oil Extraction Tax	701,034	1,810,079	1,109,045	158.2%	7,659,210	10,932,778	3,273,568	42.7%
Cigarette & Tobacco Tax	1,473,939	1,470,735	(3,204)	-0.2%	15,289,021	15,200,170	(88,851)	-0.6%
Departmental Collections	3,274,510	2,557,442	(717,068)	-21.9%	23,902,270	27,222,580	3,320,310	13.9%
Wholesale Liquor Tax	373,130	388,072	14,942	4.0%	4,086,327	4,386,749	300,422	7.4%
Coal Conversion Tax	1,818,080	2,031,753	213,673	11.8%	17,344,740	18,243,115	898,375	5.2%
Mineral Leasing Fees	278,526	(567,477)	(846,003)	-303.7%	1,734,746	2,435,476	700,730	40.4%
Bank of North Dakota-Transfer					15,000,000		(15,000,000)	-100.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					511,272	523,575	12,303	2.4%
Other Transfers	58	77,139	77,081	100.0%	68,337	13,510,885	13,442,548	100.0%
Total	50,827,795	62,387,780	11,559,985	22.7%	562,350,748	604,454,696	42,103,949	7.5%
Federal Fiscal Relief Payments		6,456,581	6,456,581	100%		50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	50,827,795	68,844,361	18,018,566	35.5%	562,350,748	660,911,277	98,560,530	17.5%

Revenue Variances

Revenues for the month exceeded projections by nearly 10 percent. Biennium to date revenues exceed projections by over \$18 million, or 3.2 percent, excluding the impact of the \$56.5 million in federal fiscal relief payments received by the state.

Sales tax collections for the month exceeded projections by \$4.4 million, or 20.8 percent. Timing issues relating to the filing of sales tax returns at the end of each month commonly cause monthly variances from forecasts. However, the positive variance of \$4.4 million for March more than offsets the February shortfall of \$1.2 million.

Individual income tax collections fell short of projections by approximately \$870,000 for the month. This is a timing issue due primarily to the high number of electronically filed returns, which resulted in the earlier issuance of refunds.

Corporate income tax collections exceeded monthly projections by over \$2 million due to strengthening of corporate profits.

Insurance premium tax collections fell short of monthly projections by \$2.2 million, offsetting the

favorable variance reported in February and correctly identified as a timing issue.

Oil and gas extraction and production taxes exceeded the monthly forecast by over \$2.3 million as a result of higher than anticipated oil prices. Production in North Dakota continues to lag the forecasted level.

Federal fiscal relief payments of approximately \$6.5 million, relating to 2001-03 biennium increases in the FMAP, were deposited in the general fund. Along with the \$50 million in unrestricted federal fiscal relief already received, these monies will be retained in the general fund and will be available for appropriation by the 2005 Legislative Assembly.

Comments or Questions???

Call

Pam Sharp, Director

Phone: 701-328-4904

Fax: 701-328-3230

E-mail:

sfranklin@state.nd.us

*Visit the North Dakota web site
at*

www.discovernd.com

Office of Management and Budget
600 East Blvd. Ave., Dept 110
Bismarck, ND 58505-0400

ADDRESS SERVICE REQUESTED

We're on the Web! <http://www.state.nd.us/fiscal>

